



PUBLIC EMPLOYEE RETIREMENT SYSTEM OF IDAHO  
607 North 8th Street  
BOISE, IDAHO 83702

MINUTES  
OF  
MEETING OF RETIREMENT BOARD

The Board of the Public Employee Retirement System of Idaho met at the PERSI Administration Building, 607 North Eighth Street in Boise, Idaho at 8:30 a.m , April 25, 2000. The following members were present:

Chairman Jody B. Olson  
Susan K. Simmons  
Dennis L. Johnson  
J. Kirk Sullivan  
Pamela I. Ahrens

Executive Director Alan H. Winkle, Deputy Attorney General Brad Goodsell, Chief Investment Officer Robert Maynard, IT Manager Ted Aho, Medical Advisors B. Strouth and John Mather, and Administrative Assistant Joanne C. Ax were also in attendance. Other persons attending portions of the meeting were:

Doug Dorn	Dorn, Helliesen & Cottle
Richelle Sugiyama	Dorn, Helliesen & Cottle
Brian McGrath	D.B. Fitzpatrick & Co.
Dennis Fitzpatrick	D.B. Fitzpatrick & Co.
Drew Black	D.B. Fitzpatrick & Co.
Rod MacKinnon	Mountain Pacific Investments
Bruce Reeder	Mountain Pacific Investments
Judy Aitken	PERSI
Charlie Brown	REA of Idaho
Alan Pritchett	BEA
Marta Watson	DFM
Tana Shillingstad	Office of the Governor
Ben Ysursa	Secretary of State's Office
Robert Schmidt	Milliman and Robertson, Inc.

Jim Shakelford  
Bob Hoffman  
Roger Seiber

IEA  
PEBSCO  
Capitol West

#### EXECUTIVE SESSION:

Chairman Olson noted for the record the necessity to hold an executive session to discuss matters exempt from disclosure as provided in Chapter 3, Title 9, Idaho Code and that Idaho Code §67-2345 (1)(b)&((d) authorizes the same. By motion duly made by Trustee Sullivan, seconded by Trustee Simmons and unanimously approved, the Board went into executive session at 8:35 a.m.

After discussion of each disability applicant, and discussion of personnel matters, the Board went back into regular session at 8:45 a.m. By motion duly made by Trustee Johnson and seconded by Trustee Ahrens, the Board unanimously approved the disability applications of Vicki R. Geis, Marcia J. Klug, Glenna M. Landsgaard with no review; Peggy Jo A. Lazzarotto and Wiley Pullin with a review in one year.

Chairman Olson said that while the Board was in executive session, they had reviewed the performance of Executive Director Winkle. By motion duly made by Trustee Sullivan, seconded by Trustee Johnson and unanimously approved, the Board awarded a 10% salary increase and the maximum bonus of \$1000 to Mr. Winkle.

#### OLD BUSINESS:

Approval of the Minutes: By motion duly made by Trustee Simmons, seconded by Trustee Ahrens and unanimously approved, the Board approved the minutes of the March 21, 2000, regular Board meeting as submitted.

#### PORTFOLIO

Monthly Report: Doug Dorn of Dorn, Helliesen & Cottle reviewed the performance report for the period ended March 31, 2000. The total fund return for the fiscal year-to-date is 14.7% with a 3.3% return for the month. While Columbus Circle small cap returns for the month were a negative 0.4%, their fiscal year to date return is 49.8%. Mountain Pacific's returns have bounced back with 12.7% for the month. Trustee Sullivan asked why this report does not show the real estate returns. Mr. Maynard said the appraisal shows on the Mellon report and on his own reports to the Board, showing the actual impact as of that date. The June 30 numbers will be the appraisal as of March 31. Mr. Dorn explained how his firm prepares this report, saying he uses the managers' numbers in order to get a timely report to the Board each month.

Monthly Portfolio Update: Mr. Maynard reviewed his Investment Report dated April 25, 2000 which showed a total fund return for the month of negative 4.8% with the total current value of the fund listed as \$7,030,720,148. The fiscal year-to-date return is 9.6%. He explained how diversification is helping. Different sectors of the market are shining now and the PERSI fund has held up quite well. According to his report, further tightening by the Federal Reserve Board appears to be expected and markets have been volatile since the beginning of the calendar year. Recently, the growth sectors have been having a major correction, with value and higher capitalization sectors having relatively better performance, although both are down recently.

PERSI's international exposure continues to drive relative outperformance, both through global managers and international equity managers. Mountain Pacific, Brandes and Lend Lease, which were having a horrible period, are bouncing back, while the previous high-flyers, Columbus Circle and Zesiger, are now having very difficult times. For the fiscal year, however, their relative performance is still very good. The Government Treasury bonds (TIPS) and the Idaho Mortgages are working well. Mr. Maynard said we are invested according to our allocation

Chairman Olson invited comments from PERSI managers who were attending the meeting. Rod MacKinnon of Mountain Pacific Investments said their style of investment is suddenly in favor. He believes discounted earnings drive value and said they are looking for reasonably good markets for older economy stocks. Dennis Fitzpatrick commented on old and new economy stocks, saying he looks for a lowering of inflation and lower interest rates. Brian McGrath said while market timing is not a popular strategy, the breather created by this volatility might be considered an opportunity for those who missed the original run up in tech and bio-tech stocks.

#### FISCAL:

Fiscal Update: - After a short break, Mr. Monroe reviewed his April 17, 2000 memorandum, telling the Board that PERSI's FY2001 Comprehensive Compensation Plan has been reviewed and approved by DHR and DFM. The plan has been implemented and the increases will take effect with the April 28<sup>th</sup> payday. He then reviewed the out-of-state travel report, the administrative and the portfolio reports. Chairman Olson noted that these reports are sent to the President Pro Tempore of the Senate and to the Speaker of the House, DFM, JFAC, minority leaders and others. He asked the Fiscal Officer why they continue to require appropriation of the portfolio expenses. Mr. Monroe said he cannot answer that.

COMMUNICATIONS: Public Information Officer Becky Crowther had prepared a demonstration of the PERSI web pages for the Board. Due to technical difficulties, that presentation was postponed until the May meeting. Trustee Ahrens said that on May 3 the State of Idaho will launch an active portal, which will be a great help to our citizens. It will allow them to type a question and then receive the answer as to which agency will handle it for them.

#### EXECUTIVE DIRECTOR

Setting Contribution Rates: Chairman Olson and other Trustees had read the April 17, 2000 memorandum from Director Winkle regarding the contribution rate and the Contribution Rules as prepared by Deputy Attorney General Brad Goodsell. Trustee Sullivan said people he has spoken with view the "temporary" rate as the permanent rate; he wants to eliminate "temporary" vs. "permanent" rates and adopt a PERSI contribution rate of 15.78%. During the discussion Trustee Simmons said she prefers to see the actuarial report and review all the numbers before taking such action. Making the change now gives the employer certainty as budgets are prepared. By motion duly made by Trustee Johnson, seconded by Trustee Sullivan and unanimously approved, the Board set the PERSI contribution rate at 15.78% effective July 1, 2000.

Gains Sharing Discussion: Executive Director Winkle presented an orientation to issues coming up as we implement the gains sharing legislation. The steps in the process are:

1. The Board determines the amount of gains sharing;

2. The Board determines the allocation to employers, employees and retirees.
3. Allocation is made within the groups.
4. The dollars are distributed to the individuals in each group.

He discussed each of these steps and the implementation plans. There was a question from the audience regarding how gains sharing would affect 403b limits. Mr. Winkle said PERSI staff will be meeting very soon with IEA and other interested parties to work through the details of limit testing.

In response to a questions from the Chair, Mr. Winkle said there are different hiring dates for different positions in the gains sharing implementation. He explained the various roles of the new employees and said we are currently working with DHR to set up the positions.

Discussing the various RFP's for implementation, Chairman Olson said the Board's fiduciary responsibility mandates that the Board have broad authority to hire managers and other consultants to implement and administer the plan. He said PERSI is one of the most audited and open agencies and the Board must maintain the decision-making roles that have fiduciary impact. Mr. Winkle said he is meeting with the Director of Purchasing and their Deputy Attorney General to discuss their roles and arrive at a consensus regarding these issues.

. Adjournment: There being no further business to conduct, by motion duly made by Trustee Johnson, seconded by Trustee Simmons and unanimously approved, the meeting was adjourned at 10:55 a.m.

#### FUTURE BOARD MEETINGS

Tuesday, May 23, 2000, 8:30 a.m., Boise – PERSI office

**Thursday, June 22, 2000, 9:30 a.m., Red Lion Hotel – Lewiston Idaho**

Tuesday, July 25, 2000, 8:30 a.m., Boise – PERSI office

Jody B. Olson  
Chairman

Alan H. Winkle  
Executive Director